

---

---

## INTERNATIONAL ECONOMIC REVIEW

---

---

United States International Trade Commission  
Office of Economics

Washington DC  
20436

July 1994

*In This Issue:*

**International Economic Comparisons**

**U.S. Trade Developments**

**International Trade Developments:**

*International trade liberalization versus internal  
barriers: A Canadian paradox*

*Slow progress on Taiwan's GATT application*

*USITC releases The Year In Trade 1993 report*

**Special Focus**

*Foreign investment in China*

**Statistical Tables**



UNITED STATES  
INTERNATIONAL  
TRADE COMMISSION

CO-M

---

## OFFICE OF ECONOMICS

Peter G. Morici, *Director*

---

---

The *International Economic Review* is a monthly staff publication of the Office of Economics, U.S. International Trade Commission. The opinions and conclusions it contains are those of the authors and do not necessarily reflect the views of the Commission or of any individual Commissioner. The *IER* is produced as part of the Commission's international trade monitoring program. Its purpose is to keep the Commission informed about significant developments in international economics and trade and to maintain the Commission's readiness to carry out its responsibility to provide technical information and advice on international trade matters to policy-makers in the Congress and the Executive branch. The *IER* is available to Government officials outside the Commission on a request basis. Inquiries or comment on items appearing in the *IER* may be made directly to the author, or to:

Editor, *International Economic Review*  
Trade Reports Division/OE, Room 602  
U.S. International Trade Commission  
500 E Street SW., Washington, DC 20436  
Telephone (202) 205-3255

---

# TABLE OF CONTENTS

|   | <i>Page</i> |
|---|-------------|
| <b>INTERNATIONAL ECONOMIC COMPARISONS</b>   |             |
| (Michael Youssef, 202-205-3269) .....   | 1           |
| <b>U.S. TRADE DEVELOPMENTS</b>  |             |
| (Michael Youssef, 202-205-3269) .....   | 4           |
| <b>INTERNATIONAL TRADE DEVELOPMENTS</b>   |             |
| <i>International trade liberalization versus internal barriers: A Canadian paradox</i>  |             |
| After negotiating agreements to liberalize trade with the United States and Mexico, Canada claims it is eliminating barriers to internal trade.   |             |
| (Thomas Jennings, 202-205-3260) .....   | 7           |
| <i>Slow progress on Taiwan's GATT application</i>   |             |
| The GATT working party that is considering Taiwan's application to join the world trade body held its fifth meeting in May. Despite Taiwan's hope for a completion of the application process by July, another meeting will likely be held this fall.   |             |
| In the meantime, Taiwan continues to implement measures designed to open its economy to international competition and to conform with GATT rules.   |             |
| (Paul Gibson, 202-205-3270) .....   | 7           |
| <i>USITC releases The Year In Trade 1993 report</i>   |             |
| The USITC's annual <i>The Year in Trade</i> report, covering U.S. trade-related activities in 1993, will be released in July. This year's report highlights the conclusion of major multilateral and regional trade initiatives, including the Uruguay Round and NAFTA implementation legislation. <i>The Year in Trade</i> also contains information on global economic conditions, activities in multilateral organizations, trade issues with major U.S. trading partners and the operation of U.S. import programs. |             |
| (Diane Manifold, 202-205-3271) .....  | 8           |
| <b>SPECIAL FOCUS</b>  |             |
| <i>Foreign investment in China</i>  |             |
| Foreign investment is expanding rapidly in China, amounting in 1993 to nearly as much as cumulative investment during the previous 14 years. This report describes the various forms and sources of foreign investment in China and the latest measures the Government has adopted to ensure the continued inflow of foreign funds.   |             |
| (Janet Whisler, 202-205-3262) .....   | 11          |
| <b>STATISTICAL TABLES</b>   |             |
| (Dean Moore, 202-205-3259) .....  | 19          |

# INTERNATIONAL ECONOMIC COMPARISONS

## Summary of U.S. Economic Conditions

Real GDP grew by 3.4 percent in the first quarter of 1994, a larger increase than the 2.6 percent growth reported earlier. Real personal consumption expenditures increased by \$45.0 billion in the first quarter, compared with an increase of \$37.3 billion in the fourth quarter of 1993. Analysts blame higher interest rates for the slowdown in durable goods purchases and capital investment. From the fourth quarter of 1993 to the first quarter of 1994, durable consumer goods purchases declined from \$17.8 billion to \$12.5 billion; real nonresidential fixed investment, from \$30.9 billion to \$11.1 billion; producers' durable equipment purchases, from \$26.4 billion to \$18.6 billion; and real residential fixed investment expenditures, from \$15.1 billion to \$4.7 billion.

Consumer spending on nondurable goods and services continued to expand. From the fourth quarter of 1993 to the first quarter of 1994, consumer spending on nondurables increased from \$7.2 billion to \$11.6 billion, and expenditures on services increased from \$12.3 billion to \$20.8 billion.

The seasonally adjusted annual value of the U.S. trade deficit in current dollars increased from \$69.1 billion in the fourth quarter of 1993 to \$83.5 billion in the first quarter of 1994.

Rising Federal receipts and declining outlays are trimming the budget deficit. The currently projected deficit for fiscal year 1994 is down to \$225 billion from the previously projected \$235 billion. Some analysts suggest that higher interest rates combined with the contractionary impact of cutting the budget deficit could slow economic growth in the United States.

Several recently released statistics show that the economy has entered a cooling off period. The Department of Commerce reports that new orders for durable goods were up by only 0.1 percent in April 1994 and retail sales fell by 0.2 percent in May after dropping by 1.1 percent in April 1994. Residential fixed investment expenditures show signs of slowing. Home-purchase mortgage applications and refinancing

requests have declined. Businesses added 191,000 workers to their payrolls in May, compared with the 358,000 new jobs in April and 379,000 in March. The index of leading economic indicators was unchanged in April, following an increase of 0.7 percent in March and no change in February. The most significant negative contributions to the value of the April index came from lower stock prices, a reduction in contracts and orders for plant and equipment in 1987 dollars, a decline in consumer expectations, and reduced orders for consumer goods and materials in 1987 dollars.

If consumption and investment spending weaken, exports will have to rise to keep the economy growing. Improved prospects of growth in the EU in 1994 and 1995 (see *IER*, June 1994) and the decline in the value of the dollar in terms of the German mark and the Japanese yen could help exports to assume a bigger role in sustaining growth. However, a faster growth in the United States than the growth overseas could frustrate this scenario. Such a growth differential could make U.S. imports grow faster than exports.

## U.S. Economic Performance Relative to Other Group of Seven (G-7) Members

### *Economic Growth*

Real GDP—the output of goods and services produced in the United States measured in 1987 prices—grew at a 3.4 percent annual rate in the first quarter of 1994 following a revised annual rate of 7.0 percent in the fourth quarter of 1993.

The annualized rate of real economic growth in the first quarter of 1994 was 2.9 percent in the United Kingdom, 2.2 percent in Germany, 4.2 percent in Canada, and 3.9 percent in Japan. In the fourth quarter of 1993, the rate of real economic growth was -2.2 percent in Japan, 0.1 percent in France, and 3.2 percent in Italy.



## Industrial Production

Seasonally adjusted U.S. nominal industrial production rose by 0.2 percent in May 1994 following a 0.1-percent gain in April. A drop in the production of motor vehicles restrained the increase in total output. Manufactures output increased by 0.2 percent in May with similar increases for both durable and nondurable goods. Manufactures output increased by 5.8 percent from May 1993 to May 1994.

Total capacity utilization in manufacturing, mining, and utilities edged down by 0.1 percentage point to 83.5 percent in May 1994. At 82.8 percent, capacity utilization in manufacturing remained unchanged. Total capacity utilization rose by 2.3 percent from May 1993 to May 1994, and the utilization of manufacturing capacity rose by 2.6 percent.

Other G-7 member countries reported the following annual growth rates of industrial production. For the year ending April 1994, Japan reported a decrease of 1.5 percent, Germany reported an increase of 4.1 percent, and the United Kingdom reported an increase of 5.6 percent. For the year ending March 1994, Canada reported an increase of 2.4 percent; France reported a decrease of 0.1 percent; and Italy reported an increase of 0.1 percent.

## Prices

The seasonally adjusted Consumer Price Index increased by 0.2 percent in May 1994 following an increase of 0.1 percent in April. The CPI advanced by 2.3 percent during the 12 months ending May 1994.

During the 1-year period ending May 1994, prices increased 2.9 percent in Germany, 0.8 percent in Japan, 1.8 percent in France, 4.1 percent in Italy, 0.2 percent in Canada, and 2.6 percent in the United Kingdom.

## Employment

In May 1994, the U.S. unemployment rate was 6.0 percent, down from 6.4 percent in April. In other G-7 countries, unemployment in May 1994 was 8.4 percent in Germany, 9.4 percent in the United Kingdom, 10.7 percent in Canada, 11.5 percent in Italy, 12.3 percent in France and 2.8 percent in Japan. (For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the end of this issue.)

## Forecasts

Forecasters expect real growth in the United States to average around 3.3 percent in the second quarter and decline to 2.8 percent in the last quarter of 1994. Growth is expected to reach only 2.6 percent in the first quarter of 1995. Factors that are likely to restrain the recovery in the remainder of 1994 include the impact of rising interest rates on new investment and the contractionary effect of cutting the budget deficit. Table 1 shows macroeconomic projections for the U.S. economy for April to December 1994, by four major forecasters, and the simple average of these forecasts. Forecasts of all the economic indicators, except unemployment, are presented as percentage changes over the preceding quarter, on an annualized basis. The forecasts of the unemployment rate are averages for the quarter.

The average of the forecasts indicates an unemployment rate of 6.4 percent in the second quarter and a rate of 6.3 percent in the fourth quarter of 1994. Inflation (as measured by the GDP deflator) is expected to remain subdued at an average rate of about 2.2 percent in the second and 2.1 percent in the third quarter of 1994. Productivity growth combined with a slow rise in labor costs are expected to restrain inflation through 1994.

**Table 1**  
**Projected changes of selected U.S. economic indicators, by quarters, Apr. 94-Mar. 95**  
*(Percent)*

| Period                             | UCLA<br>Business<br>Fore-<br>casting<br>Project | Merrill<br>Lynch<br>Capital<br>Markets | Data<br>Resources<br>Inc. | Wharton<br>E.F.A.<br>Inc. | Mean<br>of 4<br>fore-<br>casts |
|------------------------------------|---|--|---------------------------|---------------------------|--------------------------------|
| <b>GDP current dollars</b>         |   |  |                           |                           |                                |
| 1994:                              |   |  |                           |                           |                                |
| Apr.-June .....                    | 5.4   | 6.0                                    | 5.7                       | 5.4                       | 5.6                            |
| July-Sept. ....                    | 4.5   | 5.4                                    | 4.8                       | 5.2                       | 5.0                            |
| Oct.-Dec. ....                     | 4.7   | 5.3                                    | 4.5                       | 5.3                       | 4.9                            |
| 1995:                              |   |  |                           |                           |                                |
| Jan.-Mar. ....                     | 5.0   | 5.6                                    | 4.6                       | 5.4                       | 5.1                            |
| <b>GDP constant (1987) dollars</b> |   |  |                           |                           |                                |
| 1994:                              |   |  |                           |                           |                                |
| Apr.-June .....                    | 3.6   | 3.5                                    | 2.9                       | 3.1                       | 3.3                            |
| July-Sept. ....                    | 3.2   | 3.1                                    | 2.1                       | 2.9                       | 2.8                            |
| Oct.-Dec. ....                     | 3.4   | 3.0                                    | 1.7                       | 3.1                       | 2.8                            |
| 1995:                              |   |  |                           |                           |                                |
| Jan.-Mar. ....                     | 3.0   | 2.8                                    | 1.8                       | 2.7                       | 2.6                            |
| <b>GDP deflator index</b>          |   |  |                           |                           |                                |
| Apr.-June .....                    | 1.7   | 2.4                                    | 2.7                       | 2.2                       | 2.2                            |
| July-Sept. ....                    | 1.3   | 2.2                                    | 2.7                       | 2.2                       | 2.1                            |
| Oct.-Dec. ....                     | 1.3   | 2.3                                    | 2.8                       | 2.1                       | 2.1                            |
| 1995:                              |   |  |                           |                           |                                |
| Jan.-Mar. ....                     | 2.0   | 2.7                                    | 2.8                       | 2.6                       | 2.5                            |
| <b>Unemployment, average rate</b>  |   |  |                           |                           |                                |
| Apr.-June .....                    | 6.5   | 6.5                                    | 6.3                       | 6.4                       | 6.4                            |
| July-Sept. ....                    | 6.4   | 6.7                                    | 6.1                       | 6.3                       | 6.4                            |
| Oct.-Dec. ....                     | 6.3   | 6.5                                    | 6.0                       | 6.3                       | 6.3                            |
| 1995:                              |   |  |                           |                           |                                |
| Jan.-Mar. ....                     | 6.2   | 6.4                                    | 6.0                       | 6.2                       | 6.2                            |

Note.—Except for the unemployment rate, percentage changes in the forecast represent compounded annual rates of change from preceding period. Quarterly data are seasonally adjusted. Date of forecasts: June 1994.

Source: Compiled from data provided by the Conference Board. Used with permission.

## U.S. TRADE DEVELOPMENTS

The U.S. Department of Commerce reported that seasonally adjusted exports of goods and services of \$56.2 billion and imports of \$64.6 billion in April 1994 resulted in goods and services trade deficit of \$8.4 billion, \$1.5 billion more than the March deficit of \$6.9 billion. The April 1994 deficit was \$2 billion more than the deficit registered in April 1993 (\$6.4 billion) and \$1.3 billion higher than the average monthly deficit registered during the previous 12 months (\$7.1 billion).

The April trade deficit in goods was \$13.3 billion, 1.9 billion more than the March deficit of \$11.4 billion.

The April services surplus was \$4.9 billion, 0.3 billion more than the March surplus of \$4.6 billion.

Seasonally adjusted U.S. trade in goods and services in billions of dollars, as reported by the U.S. Department of Commerce, is shown in table 2. Nominal export changes and trade balances for specific major commodity sectors are shown in table 3. U.S. trade in services by major category is shown in table 4. U.S. bilateral trade balances on a monthly and year-to-date basis with major trading partners are shown in table 5.

**Table 2**  
**U.S. trade in goods and services, seasonally adjusted, Mar.-Apr.1994**  
(Billion dollars)

| Item   | Exports    |            | Imports    |            | Trade balance |            |
|--|------------|------------|------------|------------|---------------|------------|
|  | Apr.<br>94 | Mar.<br>94 | Apr.<br>94 | Mar.<br>94 | Apr.<br>94    | Mar.<br>94 |
| <b>Trade in goods, BOP basis:</b>                            |            |            |            |            |               |            |
| Current dollars—   |            |            |            |            |               |            |
| Including oil .....  | 40.3       | 42.1       | 53.6       | 53.5       | -13.3         | -11.4      |
| Excluding oil .....  | 38.8       | 40.8       | 47.0       | 46.6       | -8.1          | -5.8       |
| 3-month moving average .....                                 | 39.9       | 39.3       | 52.7       | 51.7       | -12.8         | -12.3      |
| <b>Trade in services:</b>                                    |            |            |            |            |               |            |
| Current dollars .....  | 15.9       | 16.0       | 11.0       | 11.4       | 4.9           | 4.6        |
| 3-month moving average .....                                 | 15.7       | 15.4       | 11.2       | 11.2       | 4.5           | 4.2        |
| <b>Trade in goods and services, BOP basis:</b>               |            |            |            |            |               |            |
| Current dollars .....  | 56.2       | 58.1       | 64.6       | 64.9       | -8.4          | -6.9       |
| 3-month moving average .....                                 | 55.6       | 54.7       | 63.9       | 62.8       | -8.3          | -8.1       |
| <b>Trade in goods, Census basis:</b>                         |            |            |            |            |               |            |
| 1987 dollars .....   | 39.4       | 41.3       | 52.0       | 51.6       | -12.6         | -10.3      |
| Advanced-technology products (not seasonally adjusted) ..... | 9.9        | 11.0       | 7.3        | 8.3        | 2.6           | 2.7        |

Note.—Data on goods trade are presented on a Balance of Payments (BOP) basis which reflects adjustments for timing, coverage, and valuation of data compiled by the Census Bureau. The major adjustments exclude military trade but include nonmonetary gold transactions and estimates of inland freight in Canada and Mexico, not included in the Census Bureau data.

Source: U.S. Department of Commerce News (FT 900), June 1994.

**Table 3**  
**Nominal U.S. exports and trade balances, not seasonally adjusted, of specified manufacturing sectors, and agriculture, Jan. 1993- Apr. 1994**

| Sector  | 1994 Exports    |           | Change                             |                          | Share of total, Jan.-Apr. 1994 | Trade balances, Jan.-Apr. 1994 |
|---|-----------------|-----------|------------------------------------|--------------------------|--------------------------------|--------------------------------|
|   | Jan.-Apr. 1994  | Apr. 1994 | Jan.-Apr. 1994 over Jan.-Apr. 1993 | Apr. 1994 over Mar. 1994 |                                |                                |
|   | Billion dollars |           | Percent                            |                          |                                |                                |
| ADP equipment & office machinery .....        | 9.6             | 2.3       | 7.4                                | -21.6                    | 5.9                            | -5.58                          |
| Airplane .....                                | 7.5             | 2.1       | 1.2                                | 13.6                     | 4.6                            | 6.11                           |
| Airplane parts .....                          | 3.2             | .8        | 2.9                                | -2.4                     | 2.0                            | 2.34                           |
| Electrical machinery .....                    | 13.9            | 3.5       | 17.5                               | -9.4                     | 8.6                            | -3.18                          |
| General industrial machinery .....            | 6.7             | 1.8       | 4.1                                | -7.4                     | 4.1                            | -0.12                          |
| Iron & steel mill products .....              | 1.1             | .3        | -4.2                               | -15.1                    | .7                             | -2.74                          |
| Inorganic chemicals .....                     | 1.2             | .3        | -15.2                              | -12.5                    | .7                             | -0.04                          |
| Organic chemicals .....                       | 4.0             | 1.1       | 6.1                                | -1.8                     | 2.4                            | 0.37                           |
| Power-generating machinery .....              | 6.6             | 1.8       | 2.5                                | -4.8                     | 4.1                            | 0.23                           |
| Scientific instruments .....                  | 5.3             | 1.3       | 6.4                                | -14.3                    | 3.3                            | 2.31                           |
| Specialized industrial machinery .....        | 6.2             | 1.6       | 6.0                                | -7.0                     | 3.8                            | 0.78                           |
| Telecommunications .....                      | 4.7             | 1.2       | 17.0                               | -14.0                    | 2.9                            | -4.46                          |
| Textile yarns, fabrics and articles .....     | 2.0             | .5        | 3.1                                | -10.5                    | 1.2                            | -0.83                          |
| Vehicle parts .....                           | 6.5             | 1.7       | -1.8                               | -5.9                     | 4.0                            | -0.08                          |
| Other manufactured goods <sup>1</sup> .....   | 8.7             | 2.3       | 0.6                                | 6.4                      | 5.4                            | -3.88                          |
| Manufactured exports not included above ..... | 41.2            | 10.8      | 10.7                               | -12.4                    | 25.4                           | -30.55                         |
| Total manufactures .....                      | 128.5           | 33.3      | 7.2                                | -8.8                     | 79.2                           | -39.32                         |
| Agriculture .....                             | 14.4            | 3.4       | -2.4                               | -12.0                    | 8.9                            | 5.73                           |
| Other exports .....                           | 19.3            | 4.9       | 2.3                                | -10.7                    | 11.9                           | -3.51                          |
| Total exports of goods .....                  | 162.2           | 41.6      | 5.7                                | -9.3                     | 100.0                          | -37.10                         |

<sup>1</sup> This is an official U.S. Department of Commerce commodity grouping.

Note.—Because of rounding, figures may not add to the totals shown. Data are presented on a Census basis.

Source: U.S. Department of Commerce News (FT 900), June 1994.



**Table 4**  
**U.S. exports and trade balances of services by sector. Jan.1993- Apr.1994, seasonally adjusted**

|  | Exports             |                     | Change   |  | Trade balances      |                     |
|--|---------------------|---------------------|--|--|---------------------|---------------------|
|  |                     |                     | Jan.-<br>Dec.<br>93<br>over<br>Jan.-<br>Dec.<br>92 | Jan.-<br>Apr.<br>94<br>over<br>Jan.-<br>Apr.<br>93 |                     |                     |
|  | Jan.-<br>Dec.<br>93 | Jan.-<br>Apr.<br>94 |  |  | Jan.-<br>Dec.<br>93 | Jan.-<br>Apr.<br>94 |
|  | Billion dollars     |                     | Percent  |  | Billion dollars     |                     |
| Travel .....   | 57.6                | 19.3                | 6.2  | 2.3  | 17.06               | 5.19                |
| Passenger Fares .....                                  | 16.5                | 5.4                 | -2.5   | -1.5   | 5.13                | 1.34                |
| Other Transportation .....                             | 23.1                | 7.9                 | 2.0  | 2.5  | -1.35               | -.30                |
| Royalties and licence fees .....                       | 20.4                | 6.9                 | 2.4  | 2.8  | 15.56               | 4.83                |
| Other private services .....                           | 54.9                | 19.0                | 7.6  | 6.4  | 22.75               | 7.59                |
| Transfers under U.S. military<br>sales contracts ..... | 11.4                | 3.2                 | 5.4  | -23.0  | -0.77               | -0.52               |
| U.S. Govt. miscellaneous<br>services .....             | 0.8                 | 0.3                 | -5.8   | 11.5   | -1.53               | -0.53               |
| <b>Total .....</b>                                     | <b>184.8</b>        | <b>62.1</b>         | <b>4.7</b>   | <b>1.6</b>   | <b>56.85</b>        | <b>17.60</b>        |

<sup>1</sup> Other private services consist of transactions with affiliated and unaffiliated foreigners. These transactions include education, financial services, insurance, telecommunications, such technical services as business, advertising, computer and data processing services and other information services, such as research, engineering, consulting etc.

Note.—Services trade data are on Balance of Payments (BOP) basis. Details may not equal totals because of seasonal adjustment and rounding.

Source: U.S. Department of Commerce News (FT900), June 1994.

**Table 5**  
**U.S. merchandise trade deficits and surpluses, not seasonally adjusted, with specified areas, Jan. 1993-Apr. 1994**

(Billion dollars)

| Area or country   | Apr.<br>1994 | Mar.<br>1994 | Apr.<br>1993 | Jan.-<br>Apr.<br>1994 | Jan.-<br>Apr.<br>1993 |
|---|--------------|--------------|--------------|-----------------------|-----------------------|
| Canada .....  | -1.09        | -.74         | -.78         | -3.89                 | -3.26                 |
| Mexico .....  | .01          | .17          | .26          | .54                   | 1.25                  |
| Western Europe .....  | -.08         | .32          | .48          | -.12                  | 4.07                  |
| European Union (EU) .....                                   | -.15         | .40          | .07          | .47                   | 4.11                  |
| Germany .....   | -.87         | -.94         | -.69         | -3.22                 | -2.12                 |
| European Free-Trade<br>Association(EFTA) <sup>1</sup> ..... | -.08         | -.18         | .01          | -1.07                 | -.92                  |
| Japan .....   | -5.48        | -5.80        | -5.51        | -20.52                | -18.85                |
| China .....   | -1.79        | -1.38        | -1.50        | -7.02                 | -5.70                 |
| NICs <sup>2</sup> .....                                     | -.59         | -.31         | -.66         | -2.55                 | -2.92                 |
| FSU <sup>3</sup> /Eastern Europe .....                      | .12          | -.01         | .45          | .19                   | 1.01                  |
| FSU .....   | .13          | .01          | .23          | .25                   | .59                   |
| Russia .....  | .01          | .01          | .09          | .10                   | .28                   |
| OPEC .....  | -1.07        | -.68         | -1.39        | -2.74                 | -4.53                 |
| <b>Trade balance .....</b>                                  | <b>-9.79</b> | <b>-8.76</b> | <b>-8.43</b> | <b>-37.10</b>         | <b>-29.02</b>         |

<sup>1</sup> EFTA includes Austria, Finland, Iceland, Liechtenstein, Norway, Sweden, and Switzerland.

<sup>2</sup> NICs includes Hong Kong, the Republic of Korea, Singapore, and Taiwan.

<sup>3</sup> Former Soviet Union.

Note.—Because of rounding, country/area figures may not add to the totals shown. Also, exports of certain grains, oilseeds and satellites were excluded from country/area exports but were included in total export table. Also some countries are included in more than one area. Data are presented on a Census basis.

Source: U.S. Department of Commerce News (FT 900), June 1994.

# INTERNATIONAL TRADE DEVELOPMENTS

## International Trade Liberalization Versus Internal Trade Barriers: A Canadian Paradox

Despite Canada's commitment to eliminate barriers to international trade in North America, extensive barriers within Canada continue to hamper internal trade. The Government's structure is largely responsible for this paradox. The Provinces wield considerable power relative to the Federal Government, and they are not required to follow the dictates of Ottawa in a number of economic areas.

Canadians refer to the restrictions hampering trade among the Provinces as "interprovincial trade barriers" (ITBs). These restrictions are similar to the "nontariff barriers" that are the subject of multilateral negotiations. Canada's internal trade barriers include: discriminatory Provincial procurement practices, differing certification and licensing procedures, and distribution restrictions on trade in agricultural products and alcohol. For example, until 1992 beer could only be sold in the Province where it was brewed; regulations in Quebec maintain that fish caught in the Province cannot be processed in any other Province; Ontario makes it difficult for doctors from other Provinces to practice there; some Provinces place restrictions on nonresident accountants; and the allowable length of trucks varies between Provinces. The total number of all these Provincial barriers has been estimated at 500. ITBs cost Canadian consumers between \$1.2 billion and \$4.8 billion a year. In fact, the Province of Ontario, Canada's industrial heartland, trades more with the United States than with the rest of Canada.

In mid-1992, 9 of the 10 Provinces agreed to a phased removal of Provincial barriers to goods, services, and capital. A list of broad-based exemptions diluted this initiative. The media commented that "the positive features [of the proposal] are overwhelmed by a long list of exemptions that erect more impediments to internal trade than already exist."

In March 1993, the Government announced that a comprehensive round of negotiations was scheduled to take place between July 1, 1993, and June 30, 1994. The goal of these negotiations was the eventual elimination of ITBs. Results of the negotiations process would take effect by July 1, 1995.

In the fall of 1993, national elections interrupted the negotiation process. However, on December 21, 1993, the new Prime Minister and his Provincial counterparts agreed to finish negotiations by the original June 30, 1994 deadline. The efforts received a considerable boost when, shortly before Christmas, Quebec and Ontario agreed to stop requiring work permits for construction workers from each other's Provinces.

In May, the Provinces agreed to focus on liberalizing internal trade in 11 economic sectors, and they began to discuss a dispute settlement mechanism. However, it appears that there will still be exceptions from the liberalization rules. It was reported in early June that exemptions for regional economic development projects, a mainstay in a number of Provinces, had been agreed upon. This could result in a massive loophole. It appears that progress will be made in Provincial Government and municipal purchasing and in construction.

The pressure from the private sector to eliminate ITBs is increasing. The Canadian Chamber of Commerce, the Canadian Manufacturers Association, the influential Business Council on National Issues, and the Consumers' Association of Canada have all demanded action on the issue. At this writing, negotiations continue, and it is unclear whether the ultimate agreement will be a genuine liberalization of internal barriers or merely a papered-over accord to adhere to a self-imposed deadline.

## Slow Progress on Taiwan's GATT Application

The working party on Taiwan's bid to join the GATT met in mid-May for a fifth time, but was unable to complete its consideration of Taiwan's application. At the meeting, a number of country representatives

asked Taiwan authorities detailed questions about Taiwan's trade policies and import regime. Taiwan authorities were unable to answer the questions completely. The GATT secretariat is assembling a list of the unanswered questions for consideration by Taiwan authorities. The questions center on technical aspects of Taiwan's market access restrictions, protection of intellectual property rights, and its likely acceptance of existing GATT codes on non-tariff measures, such as antidumping, countervailing duties, and import licensing.

Taiwan authorities had hoped to complete all negotiations by the end of July and join the GATT by December 31, 1994, becoming thereby a founding member of the World Trade Organization (WTO). The WTO is due to replace the GATT on January 1, 1995. Founding members and parties joining the organization after its establishment would receive the same rights and benefits.

To complete the application process, Taiwan must conclude negotiations with GATT members on bilateral tariff reductions and conform its regulatory regime to GATT standards. However, the additional questions for Taiwan will likely mean that the working party will hold another meeting this fall. The timing of the next meeting depends on when Taiwan responds to the questions. October or November has been mentioned as a possible time frame for the group's next meeting if Taiwan responds to the questions quickly.

As part of the GATT application process, Taiwan is taking a variety of steps to open its economy to foreign competition. Before the meeting of the working party, Taiwan announced that it would liberalize the market for fruit imports within 6 years. At the meeting, Taiwan announced that it was going to make the government procurement process more transparent and correspond to GATT rules. In the past, U.S. firms have complained that Taiwan's Government procurement process is inconsistent with the widely accepted international practice. In June, Taiwan announced that it will permit foreign ownership in the banking sector, leading banking analysts to expect that foreign investors will enter Taiwan's banking sector by buying existing domestic banks.

A working party to consider Taiwan's application was established in September 1992. Over the course of its deliberations, the group has discussed Taiwan's restrictions on agricultural imports, tariffs, membership in Tokyo Round GATT codes, and state-owned enterprises. In November 1993, the United States requested that Taiwan cut tariffs on 2,800 products, including those with which U.S. exporters are competitive in Taiwan's market. The United States has also asked Taiwan to reduce high tariffs on certain items, maintain already low tariffs on other products,

and drop import bans, quotas, and other nontariff restrictions that are not consistent with GATT rules.

Taiwan's GATT entry will mean increased competition for U.S. exporters of such products as beef and fruit that currently provide the only foreign source of those goods to Taiwan. Under the recently announced plan to liberalize fruit imports, for example, quotas currently applied only to imports of apples, peaches, and grapes from the United States will be transformed into larger quotas applicable to imports from all sources.

On the subject of protection of intellectual property rights (IPR), Taiwan announced recently that it is contemplating new legislation to enhance IPR protection in the country. The announcement came after the Office of the U.S. Trade Representative (USTR) said that Taiwan had made "considerable progress" in "reducing or eliminating longstanding problems" in IPR protection. USTR added that "Taiwan undertook significant enforcement efforts over the past year" to prosecute violators of IPR laws. An official with Taiwan's Board of Foreign Trade, John Deng, said that "there are certain laws which need to be passed, including the Semiconductor Protection Act." He added that Taiwan is also considering a Trade Secret Law. Taiwan authorities are also considering improvement to trademark monitoring, software inspection, and education about IPR protection. In light of reports that Taiwan businesspersons are allegedly involved in counterfeiting operations in China, Deng said that the individuals may be doing such activities because it is "too dangerous" to continue such activities in Taiwan.

Membership in the GATT for Taiwan would bring the world's 14th largest trading economy, and the sixth largest trading partner of the United States, into the multilateral trading system. Taiwan applied for membership in the GATT in 1990. It applied as the "Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu" under provisions of article XXXIII (in working party discussions Taiwan is referred to as "Chinese Taipei"). By electing this application method, Taiwan sought to deflect political controversy over the question of sovereignty. The Republic of China was a founding member of GATT in 1946, but left the organization in 1950 after the People's Republic of China was established. Taiwan held GATT observer status from 1965 to 1971.

## USITC Releases The Year In Trade 1993 Report

The U.S. International Trade Commission's (USITC) annual *The Year in Trade: Operation of the Trade Agreements Program* ("The Year in Trade")



report, to be released in July, provides a comprehensive review of U.S. trade-related activities, including major multilateral, regional, and bilateral developments in 1993. The report, the 45th in a series, is a useful reference for government officials and others with an interest in U.S. trade relations.

*The Year in Trade 1993* highlights the conclusion of the 7-year long Uruguay Round negotiations. It includes a practical guide to over 20 major agreements and understandings reached during those negotiations. An explanation of the series of agreements embodied in the "Final Act" of the Uruguay Round, including the Agreement Establishing the World Trade Organization (WTO) and its four annexes is provided. The texts of multilateral agreements on market access, agriculture, textiles, antidumping, rules of origin, subsidies, services, intellectual property and other areas are briefly summarized. In addition, the operation of the WTO, including decisionmaking, and membership and accession are discussed. The report also contains an organizational chart of the WTO's institutional structure, scheduled for establishment on January 1, 1995.

In November 1993, two important regional trade developments occurred: the passage of NAFTA implementing legislation and the meeting of Asia-Pacific Economic Cooperation (APEC) leaders. NAFTA implementing legislation was approved by Congress on November 20, following a year of intensive public debate. *The Year in Trade 1993* chronicles developments on NAFTA before and after the Congressional action and provides a summary of the major provisions of the supplemental agreements on environment and labor signed by President Clinton on September 14. The NAFTA provides for the elimination of tariffs and nontariff barriers to qualifying goods during the transitional period and for the liberalization of trade in services, rules for investment, and strengthened protection of intellectual property rights. It also contains a dispute-settlement mechanism, including independent binational panels modeled after those of the U.S.-Canada Free-Trade Agreement to review final antidumping and countervailing duty determinations.

Another major regional initiative was the meeting of APEC leaders on November 20 in conjunction with the organization's Ministerial hosted by the United States in Seattle, Washington. In a statement issued following the meeting, the leaders reaffirmed their commitment to the reduction of trade and investment barriers in the region and to the development of APEC as a forum for producing tangible economic benefits to the region. They also pledged to bring the Uruguay Round to a successful conclusion and reinforced an APEC Ministers' statement that improved upon previously announced market access offers in the Uruguay Round. These and other APEC activities during 1993 are discussed in *The Year in Trade 1993*.

In addition to covering multilateral and regional trade developments, this annual report also reviews bilateral trade issues with major U.S. trading partners during 1993. This year's coverage includes such topics as the European Union's Utilities Directive; legislative reforms in Mexico, including new foreign trade and foreign investment laws; U.S.-Canadian actions on wheat, lumber, and steel; negotiations with Japan under the Economic Framework Agreement; discussions with China on communications satellites and most-favored nation (MFN) tariff status; and talks with Taiwan and Korea over intellectual property rights and agricultural issues. Annually, *The Year in Trade* report provides updates on the operation of such programs as the Enterprise for the America's Initiative, the Caribbean Basin Economic Recovery Act, the Andean Preference Act, the Generalized System of Preferences, and the Arrangement Regarding International Trade in Textiles. It also includes a complete listing of antidumping, countervailing duty, intellectual property right infringement, and section 301 cases undertaken by the U.S. Government for the calendar year.

Copies of *The Year in Trade 1993* (USITC publication number 2769) are available for purchase from the U.S. Government Printing Office. Telephone orders may be placed with the Superintendent of Documents by dialing (202) 783-3238. The report will also be available on the Department of Commerce's National Trade Data Bank (August 1994 edition) and at Federal depository libraries in the United States.

BLANK PAGE

**BLANK PAGE**



---

## **SPECIAL FOCUS**

## Foreign Investment in China

Foreign investment in China has been rapidly increasing during the last 2 years, fueling both the growth of its domestic economy and the expansion of its foreign trade. In 1992, contracted direct foreign investment in China amounted to \$58.1 billion, according to official Chinese statistics,<sup>1</sup> exceeding the total for all previous years since the first foreign-funded enterprises were approved in 1979 as part of China's program of comprehensive economic reform. The pace of investment further accelerated in 1993, when the value of the foreign-funded enterprises contracted by the Chinese authorities amounted to \$110.9 billion, or to nearly as much as the cumulative amount invested during the entire 1979-92 period.

As expected, the value of utilized direct foreign investment in China has been much smaller, mainly because of the normal time lag between when an investment contract is signed and when the funds actually enter a country. Many of the recent investments in China are for large-scale projects that typically require the foreign party to phase in capital contributions over a period of several years. The actual inflow of contracted funds amounted to \$11.0 billion in 1992 and to \$25.8 billion in 1993.

Taking into account only those foreign-funded enterprises now in operation in China (a total of 39,551 at the end of 1992), the role they have come to play in the development of China's economy and foreign trade is impressive. According to data released by the State Statistical Bureau of China, the industrial output of foreign-funded enterprises expanded by 48.8 percent in 1992 and by 46.2 percent in 1993, years in which the total industrial output of the country grew by 20.8 and 21.1 percent, respectively. The exports of foreign-funded enterprises also increased rapidly, growing by 44.1 percent to \$17.4 billion in 1992, when they accounted for 20.4 percent of the total value of China's exports, and by 45.4 percent to \$25.2 billion in 1993, when their share rose to 27.5 percent.<sup>2</sup> On the other hand, imports of materials and equipment by foreign-funded enterprises were one of major factors

contributing to a rapid rise in China's imports in 1993 and to the first deficit in its total merchandise trade since 1989.<sup>3</sup>

The recent surge in foreign investment was mainly the result of new policies adopted following a tour of the southern coastal region of China by Deng Xiaoping in January 1992. Observing the prosperity that the highest concentration of foreign-funded enterprises in the country had brought this area, China's paramount leader called for a further opening of the economy to the outside world. A new wave of Government reforms that were subsequently introduced has opened more regions of the country through the widespread adoption of investment incentives and has also opened sectors of the economy where foreign investment had previously been prohibited or highly restricted.

## Economy-Opening Measures to Attract Foreign Investment

In 1980, China took a major step to attract foreign investment by establishing four special economic zones (SEZs): Shenzhen, Zhuhai, and Shantou in Guangdong Province and Xiamen in Fujian Province. Since then, the Chinese Government has opened a number of other areas or zones that offer preferential treatment to foreign investors. Foreign-funded enterprises that set up their operations in the SEZs and other open areas are extended tax reductions and lower or duty-free rates when importing materials and equipment for production. The greatest benefits are offered to enterprises that import advanced technology and that export their products. Enterprises in the SEZs and in other open zones are also allowed to make investment, production, and marketing decisions and are generally allowed to decide on such matters as the organizational and personnel structure of the business, the wage system, and the hiring and firing of workers. In this way, the open economic zones have not only attracted foreign investors but, for more than a decade, have also provided China the "laboratories" for experimenting with market-oriented reforms.

Encouraged by the success of the original four SEZs, the Chinese Government opened 14 coastal cities to foreign investment in 1984 and authorized them to offer investors most of the preferential policies prevailing in the SEZs. In 1988 a fifth SEZ was established on Hainan, covering this entire island, nearly the size of Taiwan, off the southern coast of China. The opening of the economy was again advanced in 1990, when the Pudong New Area of Shanghai (Pudong) was selected to become an open economic zone that would offer foreign investors more

<sup>1</sup> Unless otherwise indicated, the investment figures were provided by the U.S.-China Business Council from data compiled by China's Ministry of Foreign Trade and Economic Cooperation (MOFTEC).

<sup>2</sup> The data on 1992 and 1993 output and exports are from the "Statistical Communiqué of the State Statistical Bureau of the People's Republic of China on the 1992 National Economic and Social Development" ("1992 State Statistical Communiqué"), Feb. 18, 1993, as translated in *China Economic News*, supp. No. 3, Mar. 15, 1993, pp. 2 and 5, and from the "1993 State Statistical Communiqué," Feb. 28, 1994, as translated in *China Economic News*, supp. No. 3, Mar. 14, 1994, pp. 2 and 5.

<sup>3</sup> Foreign Broadcast Information Service (FBIS), *Daily Report: China*, Feb. 1, 1994, p. 33.

liberal policies than those already in force in the SEZs. Unlike foreign businesses in the SEZs, those in Pudong can undertake such activities as engaging in retail sales; trading their foreign exchange freely; building and operating port facilities; establishing insurance companies; trading on the securities market; and, with approval, engaging in foreign trade without restriction within a certain subzone.<sup>4</sup> Even before Pudong was established, however, Shanghai had been the location most favored by U.S. companies investing in China.

In 1992, following Deng Xiaoping's tour of the prosperous SEZs and coastal cities of southern China, the central Government applied preferential policies to 23 major cities in inland Provinces, including 18 Provincial capitals and 5 cities along the Yangtze River valley. Six "development zones" were set up in the same region, and, in addition, the Government allowed 13 inland cities bordering neighboring countries, mainly in northeastern China, to open their economies to investors. Most of the tax incentives offered in the SEZs and Pudong also apply to these newly opened cities and zones.

In addition to extending the use of preferential policies to more areas of the country, the central authorities also expanded the types of businesses open to foreign investors in 1992. Restrictions were largely lifted in service sectors, such as banking, insurance, accounting, real estate, trade, tourism, and retailing—sectors in which foreign involvement was previously either prohibited or mainly restricted to operations within the open economic zones. More recently, the Government has opened the door wider by encouraging foreign investment in construction projects, such as expressways, railways, wharves, and airports and airport terminals. Perhaps the most important investment incentive among the more liberal measures initiated in 1992 was the easing of restrictions on the sale within China of goods produced by foreign-funded enterprises, at last enabling these businesses to much more fully participate in this market of over 1 billion people. This was the opportunity that many foreign companies, including numerous U.S. firms, had been waiting for China to offer.

### ***Leading Sources of Direct Foreign Investment***

Since China was opened to direct foreign investment in 1979, Hong Kong firms have been the dominant investors and, despite the recent significant increase in the number of participating countries, still

account for about two-thirds of the total contracted investment. However, the statistics on Hong Kong's investment in China are somewhat overstated since the Chinese Ministry of Foreign Trade and Economic Cooperation (MOFTEC) regards the source country as the location of the investor's business registration, and much of the Hong Kong investment is actually of a different origin. Companies based in the United States, Japan, Taiwan, and other countries often establish subsidiaries or holding companies in Hong Kong to take advantage of the colony's relatively more flexible investment and tax regulations, and, in turn, these shell companies coordinate investment projects in China. Some of the investment in China attributed to Hong Kong is also believed to have come from mainland companies that have reinvested in China (in some cases even partnering with themselves) in order to take advantage of tax reductions and other special investment incentives reserved for foreign-funded enterprises.

Taiwan, or the Republic of China (ROC), ranks second overall in terms of the amount of cumulative contracted foreign investment in China. The bulk of this investment is concentrated in labor-intensive, export-oriented, light industrial projects located in China's Fujian Province, directly across the Formosa Strait. Although the Government of Taiwan did not allow direct investment in China until recently and most Taiwan companies, therefore, had been investing indirectly by registering as Hong Kong businesses, direct investment is growing rapidly as a result of increasing PRC-ROC rapprochement and of rising labor costs in Taiwan. According to preliminary data released by MOFTEC, Taiwan accounted for nearly 9 percent of all contracted direct foreign investment in China at the end of 1993.

The United States ranks third in terms of the cumulative value of contracted direct foreign investment in China since 1979, and Japan ranks fourth. Preliminary statistics published by MOFTEC indicate that the U.S. share of the total contracted investment at the end of 1993 was nearly 7 percent and that Japan's share was about 4 percent.

MOFTEC has not yet published complete data on direct foreign investment in China by source in 1993, but a list covering more than 70 countries or independent administrative regions, such as Hong Kong and Macau, is available for 1992. The top 12 sources in 1992 and the amount that each contracted to invest that year were as follows in U.S. dollars: Hong Kong, \$40,044 million; Taiwan, \$5,543 million; United States, \$3,121 million; Japan, \$2,173 million; Macau, \$1,487 million; Singapore, \$997 million; Thailand, \$723 million; South Korea, \$417 million; Canada, \$316 million; France, \$289 million; Great Britain, \$287 million; and Australia, \$276 million. Hong Kong

<sup>4</sup> For more information see "Focus: Pudong vs. the SEZs," *The China Business Review*, Nov.-Dec. 1991, pp. 14-32.



and Taiwan also ranked first and second in terms of actual investment in China in 1992. Hong Kong's utilized investment in China was \$7,507 million, and Taiwan's was \$1,051 million. However, Japan ranked third in terms of utilized investment (\$710 million), whereas the United States ranked fourth (\$511 million).<sup>5</sup>

During 1979-89, the U.S. annual average amount of contracted direct investment in China exceeded that of Japan by a margin of \$365 million to \$305 million. In 1990, when U.S. investment in China declined sharply following the student killings in Beijing's Tiananmen Square, Japanese investors considerably increased their presence in China. The total value of contracted Japanese direct investment expanded by about 360 percent during 1990-92, and Japan's utilized investment increased by about 40 percent,<sup>6</sup> much faster than U.S. actual direct investment in China (by 11 percent). However, preliminary statistics indicate that, by the end of 1993, the United States exceeded Japan not only in terms of the cumulative value of contracted direct investment in China but also in terms of the cumulative utilized direct investment.<sup>7</sup>

Assuming China maintains political and social stability and continues its economic reforms, the direct investment in China of both the United States and Japan is likely to keep growing at a considerable pace. On the other hand, in terms of the volume of investment, neither country is likely to become a dominant force in China because of the overwhelming presence of overseas Chinese investors from Hong Kong, Macau, Singapore, and Thailand. Investors from South Korea have also been aggressively moving into China, especially since the two countries established diplomatic ties in 1992.<sup>8</sup> However, because the overseas Chinese and South Korean companies tend to focus mainly on small, low-technology investment in the light industrial sector, the United States and Japan are expected to significantly increase their shares of the large, advanced technology projects in China.

## The Forms of Direct Foreign Investment

China has adopted laws and regulations providing for the establishment of three major forms of direct

foreign investment: equity joint ventures, contractual joint ventures, and wholly foreign-owned enterprises. In addition, special rules and procedures apply to the joint Sino-foreign development of China's oil resources. To accommodate the many U.S. and other foreign companies now beginning or expanding operations in China, MOFTEC has also begun to approve additional types of investment arrangements, such as the "umbrella enterprise" and the "limited company."

**Equity joint ventures.**—The equity joint venture was the first type of foreign-funded enterprise that could be established in China and is still the form preferred by the Chinese Government and by Provincial and local authorities. Introduced under a 1979 law, "The Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment," the equity joint venture is a limited liability company in which the profits and losses are allocated in proportion to the equity shares of the foreign and Chinese partners. As a rule, the foreign investor's share of the enterprise consists of technology and equipment, industrial property rights, and cash in foreign currency, and the Chinese share consists of land, factory buildings, raw materials, and currency to pay domestic costs of the business.

According to the most recent data released by MOFTEC based on the form of enterprise or contract type, China approved a total of 87,810 equity joint ventures with a combined contracted value of \$79,960 billion during the period 1979 through June 1993. Those approved during 1992 and the first half of 1993 alone accounted for more than 70 percent of both the total number of contracts signed and the total amount pledged. Contracted investment in equity-joint-venture projects has been nearly twice the amount invested in either contractual joint ventures or wholly foreign-owned enterprises.

U.S. companies have shown a particularly strong preference for the equity joint venture. Among these three forms of investment, equity joint ventures accounted for nearly 60 percent of the total contracted value of U.S. investment in China during 1979-92, whereas contractual joint ventures and wholly foreign-owned enterprises accounted for about 22 and 18 percent, respectively. In 1992, the latest year for which this type of data is available, equity joint ventures accounted for nearly 71 percent of the contracted value of U.S. direct investment in China, and the share represented by wholly U.S.-owned enterprises increased to about 23 percent.<sup>9</sup>

Equity joint ventures in China consist largely of a variety of manufacturing, assembly, and processing enterprises that include product lines ranging from

<sup>5</sup> For a complete list of China's sources of investment in 1992, see *China Economic News*, No. 19, May 24, 1993, pp. 11-13.

<sup>6</sup> U.S. China Research Associates, *The China Monitor*, Feb. 18, 1994, p. 5.

<sup>7</sup> Data supplied by MOFTEC, *Financial Times*, May 20, 1994, p. 7.

<sup>8</sup> According to officials at the Chinese Embassy in Washington, DC, South Korea had become the fifth largest investor in China by the end of 1993.

<sup>9</sup> MOFTEC does not publish corresponding data on utilized foreign direct investment by contract type.

automobiles and computers to food and beverages. Most U.S. manufacturing investment is focused on high-technology products, specialty chemicals, construction materials, and medical supplies.<sup>10</sup> Although the available data indicate that U.S. companies have generally chosen to keep their investment commitments small, some U.S.-funded equity joint ventures are among the largest in China. In a list of China's 500 biggest foreign-funded productive enterprises in 1992, recently issued by MOFTEC and the State Statistical Bureau, The Beijing Jeep Corp. Ltd., a joint venture funded by Chrysler Corp., ranked second.<sup>11</sup> Since China opened more of its service sector to foreign investors, equity joint ventures in this area have been increasing rapidly.

*Contractual joint ventures.*—A contractual joint venture is simply an arrangement under which the Chinese and foreign parties cooperate in a project or activity according to the terms stipulated in a contract. The venture can take the form of a limited liability company that closely resembles the equity joint venture or of a business partnership in which the parties act as separate legal entities in carrying out their respective contractual obligations. A joint management body may be established, but the two parties may agree to have only one side manage the venture or to appoint a third party to manage it. However, the key difference between this form of investment and the equity joint venture is that the profits and losses of a contractual joint venture are not necessarily distributed in proportion to the investment contribution of each partner but are shared on the basis of a ratio specified in the contract.

The Chinese Government began approving contracts for this form of enterprise as early as 1979, when some of the first proposed foreign-funded projects required more flexibility in their financing and other arrangements than could be provided under the equity joint venture law. Until April 1988, however, there was no law governing the establishment and operation of contractual joint ventures in China. The law adopted at that time, the "Sino-Foreign Contractual Joint Venture Law of the People's Republic of China," essentially codified practices that had been evolving for years. It was revised in 1990 to provide more detailed procedures on the establishment and operation of this form of enterprise.

China approved a total of 22,304 contractual joint ventures with a combined contracted value of

\$43.3 billion from 1979 through the first half of 1993. Nearly one-half of these contracts, representing a total value of \$26.6 billion, were signed during the last 18 months of this period. The contractual joint venture has been the preferred form for projects that require a large initial investment but are not expected to involve a long-term partnership, such as the construction of major hotels and exhibition centers. It has also been the type preferred for mineral and other natural resource development, including a \$650 million project to modernize the Antaibao open-pit coal mine that was initially funded in part by the U.S.-based Occidental Petroleum Corp.<sup>12</sup> MOFTEC has released virtually no information on the types of contracts signed for specific foreign-funded projects undertaken during 1992 and 1993, but it may be assumed that the significant increase in contractual joint ventures is at least partly the result of a number of large-scale projects that China has recently initiated to expand and modernize transportation systems, telecommunications, power facilities, and other parts of its infrastructure.

A foreign company may also be a contractual but not an equity partner in a project. An example is the coproduction agreement between the McDonnell Douglas Corp. and the Shanghai Aviation Industrial Corp., under which the two parties have worked together since the mid-1980s to manufacture more than 25 MD-82 aircraft and are continuing the project with options to build up to 40 planes. Strictly speaking, this business arrangement is a technology-licensing agreement and, outside China, would generally not be regarded as a direct investment. However, even though McDonnell Douglas has no equity share in the venture and has contracted to act mainly as a technical and management advisor, it is involved in every aspect of the production process. In 1992 the two parties signed another contract to coproduce 40 MD-90-30T trunk liners,<sup>13</sup> which are short- to medium-haul aircraft similar to the MD-82 planes.

*Wholly foreign-owned enterprises.*—Under Chinese law, a wholly foreign-owned enterprise is a limited-liability company, although it may take other forms of organization with approval. The foreign investor arranges for the use of land with the county or city government where the enterprise is located but completely finances and controls the business within

<sup>10</sup> This information is based on published U.S. data compiled by the U.S.-China Business Council.

<sup>11</sup> The enterprises were ranked according to the value of their annual sales both in and outside China. For the complete list, see *China Economic News*, supp. No. 13, Dec. 13, 1993.

<sup>12</sup> In the contract signed in 1985 by the Occidental Petroleum Corp. and the China National Coal Development Corp. for the development of the Antaibao (sometimes called Pingshuo) coal mine in Shanxi Province, Occidental's pledged equity share was \$175 million. China was to retain a 75-percent share of the ownership and to raise the \$475 million needed to finance the foreign-exchange costs of the project on international capital markets. In 1991, Occidental sold its share to the Bank of China and others.

<sup>13</sup> *The China Business Review*, May-June 1993, p. 18.



its approved scope of operation. This form of foreign direct investment first made its appearance in China in 1980.<sup>14</sup> However, no firm legal basis was provided for it until the adoption of the "Law of the People's Republic of China on Wholly Foreign-Owned Enterprises" in April 1986, and detailed rules for the implementation of the law were not approved until October 1990.

The year 1988 marked a turning point in the establishment of wholly foreign-owned enterprises. At that time the Chinese authorities not only fully accepted but began to actively promote this form of investment as a source of new or more technically advanced products that could both provide additional export revenues and serve as import substitutes. During the period 1989 through June 1993, China approved 23,818 wholly foreign-owned enterprises (97.5 percent of all those approved) with a combined contracted value of \$39.2 billion (96.4 percent of the total pledged investment in this form of enterprise). Both the goods and services sectors of the Chinese economy are open to wholly foreign-owned enterprises, but this form of investment is prohibited in specified types of businesses that are open to equity or contractual joint ventures.

*Joint oil development.*—China has established special laws and procedures for foreign investment in the exploration and development of its oil resources. The process generally involves an initial stage of geophysical exploration by the foreign participants at their own expense and risk followed by the development stage when both China and the foreign participants share in the investment and risk. Once production begins, the output is divided between the two sides according to the terms specified in their contract. China's joint development projects have been limited primarily to its offshore oil resources.

In 1978, China took the unprecedented step of inviting foreign oil companies to undertake an extensive seismic exploration of offshore areas. Its first joint oil development contracts, which included projects with the U.S.-based Atlantic Richfield Co. (ARCO) and Exxon Corp. (known as Esso internationally), were signed with bidders from among the participants in this initial survey. However, large-scale foreign participation did not begin until February 1982, when the Chinese Government announced the formation of the China National Offshore Oil Corporation (CNOOC), promulgated the "Offshore Petroleum Regulations and Foreign Enterprise Income Tax Law," and opened the first official round of bidding for contract areas in the South China Sea. The CNOOC announced the second round

of bidding for leases on China's continental shelf in 1984, and it opened onshore areas in southern China to joint oil development in 1986.

Sino-foreign joint offshore oil development was confined to the South China Sea and the Bohai Sea until 1993, when bids were opened for exploration in the East China Sea.<sup>15</sup> In January 1994, as a result of this new round of bidding, the CNOOC signed contracts and agreements with 18 foreign oil consortia consisting of 17 firms from 7 countries, among them U.S.-based Exxon, Texaco, and Chevron.<sup>16</sup> The exploration of the East China Sea, which is expected to span 7 to 8 years, started in March.

*New forms of direct foreign investment.*—China recently began to approve the establishment of two more types of foreign-funded enterprises: the "umbrella enterprise" and the "limited company." The umbrella enterprise enables a foreign company with two or more projects in China to combine its activities under a parent company. This new form of enterprise in China is a direct result of the large increase in foreign investment that began in 1992, and it is presently being approved by MOFTEC in the absence of any provision under Chinese law for this type of integrated company. The limited company, as the term is used here, refers to a company that is limited by the shares it issues. When both national and local regulations were adopted to guide companies wanting to become involved in China's recently established securities industry, the option of being a limited company was opened to foreign investors as well as to Chinese enterprises. A new law, the "Company Law of the People's Republic of China," adopted on December 29, 1993, has now integrated the various earlier regulations and standardized procedures for establishing and operating this form of enterprise in China.

The umbrella enterprises approved thus far have allowed foreign companies to set up subsidiaries so that they can integrate operations such as manufacturing, investment in new subsidiary projects, the purchase of inputs and raw materials, the sale of output, and the provision of product maintenance service. However, an umbrella enterprise cannot act as a general trading company; that is, it cannot import finished product lines and sell them in China. To qualify for approval, the umbrella enterprise can be either a joint venture or a wholly foreign-owned enterprise (and continues to be treated as such for tax purposes), but it generally must also have a minimum of \$10 million in registered capital to invest in the

<sup>14</sup> The first wholly U.S.-owned enterprise to operate in China was the 3M China Ltd. Co. It was established in Shanghai in 1983 with a capitalization of \$3 million.

<sup>15</sup> The opening of the South China Sea was reportedly delayed because "more work was needed to avoid disputes over the China-Japan ocean boundary, unsettled in some places." FBIS, *Daily Report: China*, Mar. 7, 1994, p. 44.

<sup>16</sup> Ibid.

umbrella enterprise's own operations or in its subsidiaries.<sup>17</sup>

The foreign companies that so far have received approval to establish an umbrella enterprise are mainly well-known multinational corporations with products or technology that China finds attractive. The umbrella enterprises approved to date include an equity joint venture between Beatrice Co. (whose share is now owned by The Coca-Cola Co.) and the China International Trust and Investment Corp. and wholly foreign-owned enterprises owned by IBM Corp. and by E. I. du Pont de Nemours and Co.<sup>18</sup>

The limited company gives foreign firms the choice of establishing a form of investment in China that is similar to a U.S. corporation; that is, an enterprise with legal-person status that raises capital by issuing shares of equal value. Its shareholders are liable to the company only for the subscription price of the shares, and the company is liable for its debts to the extent of its assets. Although equity joint ventures and

wholly foreign-owned enterprises also have limited liability, the essential difference between these forms of foreign investment and the limited company lies in the ability of the limited company to issue shares. The shares offered to the public must be purchased in cash, but shares may also be issued to investors in a new limited company that make their capital contributions in kind in the form of tangible assets, industrial property, proprietary technology, or land-use rights that are needed for production and business purposes.

Most of the foreign-funded enterprises that have thus far been established as limited companies are privately rather than publicly held. For those companies whose shares are held privately, the main advantage is a legal structure that closely resembles Western norms. However, a few foreign-funded limited companies do publicly trade their stock, which can be listed on either the Shanghai or the Shenzhen exchange.<sup>19</sup>

<sup>17</sup> For more information see John Frisbie and Helena Kolenda, "Umbrella Enterprises," *The China Business Review*, Sept.-Oct. 1993, pp. 9-12.

<sup>18</sup> *Ibid.*, p. 11.

<sup>19</sup> For more information on the limited company, see Vivienne Bath, "Introducing the 'Limited Company,'" *The China Business Review*, Jan.-Feb. 1993, pp. 50-54, and "Company Law of the People's Republic of China," a translation in *China Economic News*, supp. No. 2, Mar. 7, 1994.

**BLANK PAGE**

*B*

---

## STATISTICAL TABLES

Industrial production, by selected countries and by specified periods, Jan. 1991-May. 1994  
(Total industrial production, 1985=100)

| Country                    | 1991  | 1992  | 1993  | 1993  |       |       |       |       | 1994  |       |       |       |       |       |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                            |       |       |       | I     | II    | III   | IV    | Dec.  | I     | Jan.  | Feb.  | Mar.  | Apr.  | May   |
| United States <sup>1</sup> | 104.2 | 104.3 | 109.2 | 109.7 | 110.3 | 111.1 | 112.9 | 109.0 | 115.1 | 114.6 | 115.1 | 115.7 | 115.9 | 116.1 |
| Japan                      | 127.7 | 120.4 | 115.3 | 116.3 | 114.6 | 115.8 | 114.7 | 111.6 | (2)   | 112.7 | 112.8 | (2)   | (2)   | (2)   |
| Canada <sup>2</sup>        | 113.8 | 114.9 | 118.0 | 112.9 | 118.3 | 121.2 | 119.6 | 115.5 | (2)   | 112.3 | 118.4 | (2)   | (2)   | (2)   |
| Germany <sup>3</sup>       | 100.0 | 98.1  | 91.5  | 91.8  | 90.6  | 88.8  | 95.1  | 89.7  | (2)   | 87.4  | 90.1  | (2)   | (2)   | (2)   |
| United Kingdom             | 109.0 | 108.6 | 111.3 | 114.3 | 108.5 | 105.4 | 117.0 | 110.3 | (2)   | 110.5 | 120.7 | (2)   | (2)   | (2)   |
| France                     | 114.2 | 112.9 | (2)   | 113.8 | 110.3 | 96.8  | (2)   | 110.2 | (2)   | 115.2 | (2)   | (2)   | (2)   | (2)   |
| Italy                      | 115.4 | 113.6 | 110.7 | 117.3 | 116.9 | 93.7  | 114.8 | 104.3 | (2)   | (2)   | (2)   | (2)   | (2)   | (2)   |

<sup>1</sup> 1987=100.

<sup>2</sup> Not available.

<sup>3</sup> Real domestic product.

<sup>4</sup> 1991=100.

Source: *Main Economic Indicators*; Organization for Economic Cooperation and Development, May 1994, *Federal Reserve Statistical Release*; June 15 1994; and *International Financial Statistics*, International Monetary Fund, Jan. 1994.

Consumer prices, by selected countries and by specified periods, Jan. 1991-Apr. 1994  
(Percentage change from same period of previous year)

| Country              | 1991 | 1992 | 1993 | 1993 |     |     |     |      |      |      | 1994             |                  |      |      |      |
|----------------------|------|------|------|------|-----|-----|-----|------|------|------|------------------|------------------|------|------|------|
|                      |      |      |      | I    | II  | III | IV  | Oct. | Nov. | Dec. | I                | Jan.             | Feb. | Mar. | Apr. |
| United States .....  | 4.2  | 3.0  | 3.0  | 3.2  | 3.1 | 2.7 | 2.7 | 2.8  | 2.7  | 2.7  | 2.5              | 2.5              | 2.5  | 2.5  | 2.4  |
| Japan .....          | 3.3  | 1.6  | 1.3  | 1.3  | 0.9 | 1.8 | 1.1 | 1.3  | 0.9  | 1.0  | 1.2              | 1.2              | 1.1  | 1.3  | 0.8  |
| Canada .....         | 5.6  | 1.5  | 1.8  | 2.1  | 1.7 | 1.7 | 1.8 | 1.9  | 1.9  | 1.7  | 0.6              | 1.3              | 0.2  | 0.2  | 0.2  |
| Germany .....        | 3.5  | 4.0  | 4.2  | 4.3  | 4.2 | 4.2 | 3.7 | 3.9  | 3.6  | 3.7  | 3.3              | 3.5              | 3.3  | 3.2  | 3.1  |
| United Kingdom ..... | 5.9  | 3.7  | 1.6  | 1.8  | 1.3 | 1.6 | 1.6 | 1.4  | 1.4  | 1.9  | 2.4              | 2.5              | 2.4  | 2.3  | 2.6  |
| France .....         | 3.2  | 2.4  | 2.0  | 2.1  | 2.0 | 2.2 | 2.1 | 2.2  | 2.2  | 2.1  | 1.7              | ( <sup>1</sup> ) | 1.8  | 1.5  | 1.7  |
| Italy .....          | 6.4  | 5.1  | 4.4  | 4.5  | 4.5 | 4.5 | 4.4 | 4.5  | 4.4  | 4.3  | ( <sup>1</sup> ) | 4.4              | 4.4  | 4.3  | 4.1  |

<sup>1</sup> Not available.

Source: *Consumer Price Indexes, Nine Countries*, U.S. Department of Labor, June 1994.

Unemployment rates, (civilian labor force basis)<sup>1</sup> by selected countries and by specified periods, Jan. 1991-Apr. 1994

| Country              | 1991 | 1992 | 1993 | 1993 |      |      |      |      | 1994 |      |      |      |      |
|----------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
|                      |      |      |      | I    | II   | III  | IV   | Dec. | I    | Jan. | Feb. | Mar. | Apr. |
| United States        | 6.7  | 7.4  | 6.8  | 7.0  | 7.0  | 6.7  | 6.5  | 6.4  | 6.6  | 6.7  | 6.5  | 6.5  | 6.4  |
| Japan                | 2.1  | 2.2  | 2.5  | 2.3  | 2.4  | 2.6  | 2.8  | 2.9  | 2.8  | 2.8  | 2.9  | 2.9  | (2)  |
| Canada               | 10.3 | 11.3 | 11.2 | 11.0 | 11.4 | 11.4 | 11.1 | 11.2 | 11.0 | 11.4 | 11.1 | 10.6 | 11.0 |
| Germany <sup>3</sup> | 4.4  | 4.7  | 5.9  | 5.4  | 5.8  | 6.1  | 6.4  | 6.5  | (2)  | 6.6  | 6.7  | (2)  | (2)  |
| United Kingdom       | 8.9  | 10.0 | 10.4 | 10.6 | 10.4 | 10.5 | 10.1 | 10.0 | 9.9  | 10.0 | 9.9  | 9.8  | 9.7  |
| France               | 9.8  | 10.2 | 11.3 | 10.6 | 11.0 | 11.3 | 11.7 | 11.7 | 12.3 | 12.3 | 12.3 | 12.4 | (2)  |
| Italy <sup>4</sup>   | 6.9  | 7.3  | 9.4  | 9.4  | 10.8 | 10.6 | (2)  | (5)  | (5)  | (5)  | (5)  | (5)  | (5)  |

<sup>1</sup> Seasonally adjusted; rates of foreign countries adjusted to be comparable with the U.S. rate.

<sup>2</sup> Not available.

<sup>3</sup> Formerly West Germany.

<sup>4</sup> Many Italians reported as unemployed did not actively seek work in the past 30 days, and they have been excluded for comparability with U.S. concepts.

<sup>5</sup> Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.

Source: *Unemployment Rates in Nine Countries*, U.S. Department of Labor, June 1994.



Money-market interest rates,<sup>1</sup> by selected countries and by specified periods, Jan. 1991-May 1994  
(Percentage, annual rates)

| Country              | 1991 | 1992 | 1993 | 1993 |      |     |     |      |      | 1994 |      |      |      |      |     |
|----------------------|------|------|------|------|------|-----|-----|------|------|------|------|------|------|------|-----|
|                      |      |      |      | I    | II   | III | IV  | Nov. | Dec. | I    | Jan. | Feb. | Mar. | Apr. | May |
| United States .....  | 5.9  | 3.7  | 3.2  | 3.2  | 3.1  | 3.1 | 3.3 | 3.4  | 3.4  | 3.4  | 3.1  | 3.6  | 3.7  | 4.0  | 4.5 |
| Japan .....          | 7.3  | 4.4  | 2.9  | 3.4  | 3.2  | 2.9 | 2.2 | 2.3  | 2.0  | 2.2  | 2.1  | 2.2  | 2.2  | 2.2  | (2) |
| Canada .....         | 9.0  | 6.7  | 5.1  | 6.3  | 5.1  | 4.6 | 4.3 | 4.3  | 4.0  | 4.0  | 3.8  | 3.8  | 4.4  | 4.4  | (2) |
| Germany .....        | 9.1  | 9.4  | 7.1  | 8.2  | 7.5  | 6.6 | 6.2 | 6.2  | 5.9  | 5.7  | 5.7  | 5.7  | 5.7  | 5.4  | (2) |
| United Kingdom ..... | 11.5 | 9.5  | 5.8  | 6.3  | 5.8  | 5.8 | 5.4 | 5.5  | 5.2  | 5.2  | 5.3  | 5.1  | 5.1  | 5.1  | (2) |
| France .....         | 9.5  | 10.1 | 8.3  | 11.4 | 7.7  | 7.4 | 6.5 | 6.5  | 6.3  | 6.1  | 6.1  | 6.1  | 6.1  | 5.8  | (2) |
| Italy .....          | 12.0 | 13.9 | 10.0 | 11.7 | 10.7 | 9.2 | 8.7 | 8.9  | 8.5  | 8.3  | 8.3  | 8.4  | 8.3  | 8.0  | (2) |

<sup>1</sup> 90-day certificate of deposit.

<sup>2</sup> Not available.

Source: Federal Reserve Statistical Release, June 13, 1994 Federal Reserve Bulletin, June 1994.

Effective exchange rates of the U.S. dollar, by specified periods, Jan. 1991-May 1994  
(Percentage change from previous period)

| Item                                    | 1991  | 1992  | 1993  | 1993  |       |       | 1994  |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|   |       |       |       | II    | III   | IV    | I     | Jan.  | Feb.  | Mar.  | Apr.  | May   |
| Unadjusted:<br>Index <sup>1</sup> ..... | 98.5  | 97.0  | 100.1 | 98.1  | 99.6  | 101.2 | 101.6 | 102.5 | 101.5 | 100.9 | 100.9 | 100.0 |
| Percentage<br>change .....              | -1.5  | -1.5  | 3.1   | -3.2  | 1.4   | 1.6   | .4    | .3    | -.9   | -.5   | 0     | -.9   |
| Adjusted: Index <sup>1</sup> .....      | 101.1 | 100.9 | 104.2 | 103.0 | 103.7 | 104.1 | 104.7 | 105.8 | 104.6 | 103.9 | 104.2 | 103.2 |
| Percentage<br>change .....              | 1.0   | -.1   | 3.3   | -2.5  | .7    | .4    | .6    | 1.5   | -1.1  | -.6   | .3    | -.9   |

<sup>1</sup> 1990 average=100.

Note.—The foreign-currency value of the U.S. dollar is a trade-weighted average in terms of the currencies of 18 other major nations. The inflation-adjusted measure shows the change in the dollar's value after adjusting for the inflation rates in the United States and in other nations; thus, a decline in this measure suggests an increase in U.S. price competitiveness.

Source: Morgan Guaranty Trust Co. of New York, June 1994.

Trade balances, by selected countries and by specified periods, Jan. 1991-Apr. 1994  
(In billions of U.S. dollars, Exports less Imports (f.o.b. - c.i.f.), at an annual rate)

| Country                    | 1991  | 1992  | 1993   | 1993   |        |        | 1994   |        |        |        |        |
|----------------------------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                            |       |       |        | III    | IV     | Dec.   | I      | Jan.   | Feb.   | Mar.   | Apr.   |
| United States <sup>1</sup> | -65.4 | -84.5 | -115.7 | -125.4 | -111.7 | -103.9 | -129.1 | -130.2 | -144.8 | -114.9 | -144.0 |
| Japan                      | 77.6  | 106.4 | 120.3  | 39.0   | 41.7   | 44.7   | (2)    | 132.8  | 124.8  | (2)    | (2)    |
| Canada <sup>3</sup>        | 9.0   | 12.1  | 13.3   | 4.1    | 3.8    | 3.4    | (2)    | 15.8   | 13.5   | (2)    | (2)    |
| Germany                    | 13.2  | 21.0  | 35.8   | 9.4    | 17.9   | 47.0   | (2)    | 45.4   | 41.4   | (2)    | (2)    |
| United Kingdom             | -24.8 | -30.8 | (2)    | (2)    | (2)    | (2)    | (2)    | (2)    | (2)    | (2)    | (2)    |
| France <sup>3</sup>        | -5.2  | 5.8   | 15.8   | 5.6    | 6.4    | 27.1   | (2)    | 8.2    | 8.5    | 5.2    | (2)    |
| Italy                      | -13.2 | -10.3 | (2)    | 7.1    | (2)    | 14.8   | (2)    | (2)    | (2)    | (2)    | (2)    |

<sup>1</sup> Figures are adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than c.i.f. value.

<sup>2</sup> Not available.

<sup>3</sup> Imports are f.o.b.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, June 21, 1994; *Canadian Economic Observer*, Dec. 1993 and *Main Economic Indicators*; Organization for Economic Cooperation and Development, May 1994.

U.S. trade balance, <sup>1</sup> by major commodity categories and by specified periods, Jan. 1991-Apr. 1994  
(In billions of dollars)

| Country   | 1991    | 1992    | 1993    | 1993    |         |         | 1994    |         |         |         |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|   |         |         |         | III     | IV      | Dec.    | I       | Feb.    | Mar.    | Apr.    |
| Commodity categories:   |         |         |         |         |         |         |         |         |         |         |
| Agriculture .....   | 16.2    | 18.6    | 17.8    | 3.4     | 5.6     | 2.0     | 4.4     | 1.4     | 1.4     | 1.2     |
| Petroleum and selected product—<br>(unadjusted) .....                                       | -42.3   | -43.9   | -45.7   | -11.3   | -10.7   | -2.9    | -9.6    | -3.2    | -3.5    | -3.6    |
| Manufactured goods .....  | -67.2   | -86.7   | -115.3  | -36.2   | -32.8   | -8.6    | -29.1   | -10.4   | -9.5    | -9.9    |
| Selected countries:   |         |         |         |         |         |         |         |         |         |         |
| Western Europe .....  | 16.1    | 6.2     | -1.4    | -2.8    | -1.2    | .1      | -.1     | -.5     | .3      | -.1     |
| Canada <sup>2</sup> .....   | -6.0    | -7.9    | -10.2   | -2.1    | -2.8    | -.8     | -2.7    | -1.0    | -.6     | -1.1    |
| Japan .....   | -43.4   | -49.4   | -59.9   | -15.2   | -17.1   | -5.3    | -15.0   | -4.6    | -5.8    | -5.5    |
| OPEC<br>(unadjusted) .....  | -13.8   | -11.2   | -11.6   | -3.6    | -1.6    | -.2     | -1.6    | -.7     | -.7     | -1.1    |
| Unit value of U.S. im-<br>ports of petroleum and<br>selected products<br>(unadjusted) ..... | \$17.42 | \$16.80 | \$15.13 | \$14.63 | \$13.52 | \$12.26 | \$11.80 | \$12.03 | \$11.78 | \$12.77 |

<sup>1</sup> Exports, f.a.s. value, unadjusted. Imports, customs value, unadjusted.

<sup>2</sup> Beginning with 1989, figures include previously undocumented exports to Canada.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, June 12, 1994.

**END**

**11-29-94**